APPENDIX A

STATE OF ALASKA COMMENTS

REGARDING THE DOHA MULTILATERAL TRADE NEGOTIATIONS AND AGENDA IN THE WORLD TRADE ORGANIZATION (WTO)

May 1, 2002

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Background

Alaska

Just 43 years ago, on January 3, 1959, President Eisenhower signed a proclamation establishing Alaska as the 49th state in the Union. However, Alaska's history began centuries earlier with the arrival of Eskimo, Aleut, Alutiiq, Athabaskan, Tlingit, Haida, Tshimshian and other tribes. European contact started in 1725, when Russian Tsar, Peter the Great, sent Vitus Bering to explore the waters off of Russia's Far East. Explorers from Spain, England and Russia continued to "discover" areas of Alaska throughout the 18th century, and Russians initiated commercial utilization of Alaska's natural resources when they began harvesting Pacific fur seals in 1743.

Russia continued its dominance over much of the Aleutian Islands and Western and Southeast Alaska throughout the first three-quarters of the 19th century. This included continued economic use of natural resources, intermarriage with Native peoples, establishment of trading posts and other settlements, and dissemination of Russian Orthodox Church doctrine.

On March 30, 1867, Baron Edouard Stoeckl, the Russian Minister to the United States, signed an agreement with United States (U.S.) Secretary of State William H. Seward ceding possession of the vast territory of Alaska to the United States for the sum of $7.2 million. The agreement was widely referred to as "Seward's Folly" (and Alaska as "Seward's Icebox"). Few citizens of the U.S. could then fathom what possible use or interest the 586,000 square miles of land would have for their country.

The land area ceded by Russia is now equal to 20% of the total land area of the United States. Even if Alaska were split into two states, each would be larger than the state of Texas. Alaska shares its land border only with Canada, and has more coastline than all other states combined.

Today, 626,932 people live in Alaska[1]. The residents of rural Alaska are nearly 100% Alaska Native ethnic origin, while in the school system of Anchorage, the state's largest community, students speak nearly 100 different languages. The state's population is located in communities that are far smaller than communities elsewhere in the country. Of the 323 communities in Alaska, only three cities (Anchorage, Juneau, and Fairbanks) are inhabited by more than 10,000 people.[2] There are only 23 communities of between

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1 US Census Figures. <http://quickfacts.census.gov/qfd/states/02000.html>

2 "Labor Department Estimates Alaska's 1999 Population," September 21, 1999, Tbl. 3 <http://www.labor.state.ak.us/news/news0013.htm> (visited Dec. 8, 2000) ("Labor Department Estimates"). The U.S. Census Bureau measures the population in some areas that are not part of municipalities. The College Census Designated Place outside of Fairbanks also has more than 10,000 people. *Id.*

1,000 and 10,000 people.[3] Thus, almost 300, or 90 percent of, Alaska communities have fewer than 1,000 people. Over a quarter of Alaska's communities - 87 communities – have fewer than 100 people. Outside of Anchorage, the population density of Alaska is just 0.5 person per square mile.[4]

Most Alaska communities are also far more remote and isolated than communities in other states. Juneau, Alaska's capital, is not connected by road to other areas of the state because tall mountains, glaciers and ice caps, and marine waters surround it. Residents is most rural communities in Alaska also do not have road access to Alaska's three relatively urban areas. Statewide, Alaska has only about 13,000 miles of public roads, of which only 3,800 miles of which are paved.[5] Although Alaska is more than twice the size of Texas, its road mileage is equivalent to that of Vermont.[6] Thus, many Alaska communities can be accessed only by air or by water. The standard mode of transportation between villages is by small single- and twin-engine airplanes. Snowmobiles and dogsleds are used in the winter and boats in the summer, but the operation of all forms of transportation is unpredictable because of severe weather conditions.

The majority of rural, and to a lesser extent, urban Alaskans depends on subsistence hunting and fishing as their main source of food. In rural Alaska, especially, subsistence is the lifeblood of residents' cultural, spiritual, economic and physical well-being. Commercial fishing often provides the sole source of cash for those living in rural communities, where the cost of living is the highest in the nation. Commercial fishing is also important to those living in the three larger Alaska communities, as Anchorage is the location of the largest number commercial fishermen in the state. Every resident of Alaska depends on domestic or international trade for almost all consumables.

The published state unemployment rate is 7.4%, as compared to the U.S. rate of 6.1%.[7] According to the Alaska Department of Labor-Kotzebue Employment Center, when discouraged workers are factored in, the unpublished real unemployment rate can be as high as 67% in rural communities. Without the opportunity to continue to earn a cash income from commercial fishing, the population in 90% of Alaska communities would be in severe economic condition. This is exactly what has occurred as fish prices have

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3 *Id.*

4 The statewide population density of Alaska is approximately 1 person per square mile and roughly half of the State's population lives in Anchorage. "Labor Department Estimates Alaska's Population;" <http://sled.alaska.edu/akfaq/aksuper.html#pop> (visited Dec. 8, 2000).

5 The Alaska Department of Transportation, Office of the Commissioner, provided these data.

6 <http://sled.alaska.edu/akfaq/aksuper.html> (visited Nov. 13, 1999).

7 Alaska Department of Labor and Workforce Development News Release, April 19, 2002.

plummeted due to the oversupply of farmed fish in U.S. and Japan markets from Chilean sources. The State asks that the U.S. address, in the Doha discussions, those fishery subsidies which cause overproduction, as well as market access improvements through reduction of tariffs and non-tariff measures.

Alaska's Major Export Markets

While economic conditions in Alaska can be difficult, Alaska's combination of geographic position and abundance of natural resources have made trade a vital part of state's economy. Exports comprise 10% of Alaska's Gross State Product, and, as discussed above, dependence on income from fishing exports is even more crucial in remote rural areas. In 2001, Alaska exports totaled $2.418 billion. Non-oil exports have increased 9% over the past year.

Beyond the numbers, the Alaska export sector is crucial to the state because it is the realm of many small businesses. Alaska entrepreneurs often get their start participating in large resource-extraction companies at home, but then branch out to export products and services to the world. Growth in the export sector is impressive, and the U.S. Census Bureau has ranked Alaska as first among states in terms of growth of companies exporting for the first time.

Alaska is situated closer to the growing economies of East Asia than any other state. In fact, as illustrated in Appendix C, Alaska is so close to Asia that many Alaska communities are closer to Tokyo and Seoul than to Washington, DC or New York. This geographic proximity has made Alaskans active participants in the growing trade in the Pacific, and the countries of the Pacific Rim are Alaska's most important trading partners. In the fourth round of World Trade Organization multilateral negotiations, the U.S. position toward these countries should encourage further liberalization that will level the playing field and improve market access for Alaska exports.

Japan

Japan is Alaska's largest trading partner, and total exports there totaled $1.04 billion. Seafood dominates Alaska exports to Japan. In 2001, 55% of Alaska's seafood exports went to Japan, comprising 70% of the value of all Alaska-Japan exports. The dollar value of Alaska seafood exports to Japan was $709.5 million in 2000, down 3% from 1999 but an increase of 38% over the 1998 figure. Japan has been flooded by the import of cheap, farmed salmon, primarily from Chile. Historically, fresh, wild Alaska salmon supplied 90% of the Japanese salmon market. However, Chile has now increased its salmon market share in Japan to 70%. With volume increases and price erosion occurring in the Japan salmon market, the price paid to Alaska fishermen for Bristol Bay sockeye salmon, the major Alaska product in Japan, hit a twenty-year low of $0.64/pound in 2000. The State's concerns about U.S. trade with Japan are primarily focused on tariff reduction for basic and value-added Alaska seafood exports. Leveling the subsidy-assisted playing field

with Chilean salmon competitors, and harmonizing organic labeling standards will improve Alaska's trade opportunities in Japan as well.

Republic of Korea

Alaska's exports to the Republic of Korea (Korea) hit an all-time high in 1999, reaching $487 million, following three years of decline from 1996-1998. In 2000, that number declined slightly, to $448.5 million. Korea is Alaska's long-time second-largest export market, and the 54% increase in export values between 1998 and 1999 and into 2000 shows the rebound of the Korean economy, as well as the increase of commodity prices for the products Korea imports from Alaska.

In 2000, seafood accounted for 29% of Alaska's exports to Korea. Oil, gas and coal were second, accounting for 27% of the total. Fertilizer (21%), wood products (8%), machinery and minerals (7% each) rounded out the top export products in 2000.

The value of Alaska's seafood exports to Korea increased dramatically in 1999 and 2000. Seafood exports to Korea were $103.5 million in 1999, more than double the 1998 number, and increased another 30% in 2000 to $133 million. Much of Alaska seafood exports are reprocessed in Korea. These comments will detail how tariff reductions from the current 10-20% levels in this round of multilateral negotiations will ensure that Alaska exports to Korea continue to grow while benefiting Koreans on limited incomes who are the primary purchasers of several lower-value Alaska seafood exports. Also discussed will be the difficulty in doing business in Korea and ensuring that the seller is paid for his product.

People's Republic of China

Alaska seafood exports to the People's Republic of China (China) have grown significantly in recent years. Increases occurred in both seafood sales for human consumption and byproducts for animal feed. Seafood is now Alaska's primary export to China. The larger Alaska seafood processing companies use China as a reprocessing point for salmon, pollock, and crab. With the increased openness of its markets and distribution system, China presents opportunities for smaller companies, as reflected by recent success in establishing in-country business for Alaska's dive fisheries, especially sea cucumbers. China is also an important destination for Alaska's softwood log exports. The State believes that the Doha negotiations can help Alaska exporters increase their access to the developing China market as well as improve "doing business issues" such as (as in Korea) ensuring the seller is paid. These comments will underline how trade with China can be improved through tariff and value- added tax (VAT) reduction and through achieving relief from incorrectly applied phytosanitary restrictions which are functioning only as market access barriers.

Taiwan

The possibilities are increasing for the export of Alaska seafood products to Taiwan. The country is a developing market for Alaska seafood, and the country's recent accession to the WTO will encourage further growth. One advantage Alaska seafood has in Taiwan is that Taiwanese consumers' growing awareness of environmental issues, including the healthiness of the foods they eat. In 1998, Alaska Seafood Marketing Institute established representation in Taiwan. Now is a critical time to act to ensure that Taiwan's markets are opened to Alaska seafood exports. Taiwan levies the highest tariffs on Alaska seafood exports of any country in the Pacific Rim, with tariffs ranging from 17.5% to 50%. Further details are in the market access discussion on tariff reduction.

European Union

While the countries of the Pacific Rim have long been Alaska's main trading partners, the integrated market of the European Union (EU) is becoming a more significant destination for Alaska exports. Belgium is a major market for Alaska zinc ore. Seafood exports to Europe have also increased. In 2001, Germany was Alaska's fourth largest trading partner after exports increased 240%. Exports of pollock filets drove this growth, and the Doha negotiations can make conditions more favorable for Alaska exports. The importance of pollock and cod exports to Europe will increase in coming years, because overfishing has devastated traditional Europe fishing grounds. European buyers are turning to Alaska salmon because it is wild and because it presents no worries about contamination, antibiotics, and the genetically modified organism (GMO) issue. European issues will be highlighted in the State's comments on tariff reduction and labeling.

Russia

Alaska's history as a Russian trading colony, the shared cultures of Native Alaskans and the indigenous peoples of Russia, and close proximity between the two regions (only 2.5 miles away at its closest point) created Alaska's oldest trading relationship. While most American exports to Russia are destined for the urban markets of the western part of the country, Alaska exports largely go directly to the Russian Far East. The vast majority of Alaska exports to Russia fall into two categories: lead ore (57%) and machinery (28%). There is a healthy in trade in services, as a result of close proximity and direct air connections. Similar climactic and geographic concerns have led to frequent dealings and cooperation between Alaskans and Russians. The State's comments will focus on capacity building and technical assistance projects that have resulted from this special relationship.

Alaska's Export Industries

Seafood Industry

Seafood is Alaska's number one export. It is not only a valuable source of income for the state, but it is an important component of American trade. Alaska produces nearly half the seafood harvested in the United States, including all five species of salmon, halibut, pollock, cod, and crab and other shellfish. State law prohibits fish farming in Alaska to protect the health of the wild fishery runs. Fresh Alaska salmon is mostly available only from June to September. This differs greatly from fresh farmed salmon which is available year-round.

Over 4.46 billion pounds of seafood was harvested from Alaskan waters in 2000. In the same year, Alaska wild salmon harvester earnings reached $272 million, comprising 91% of the value of all salmon harvested in U.S. waters.

Alaska's commercial fishing industry is the number one private basic sector employer in Alaska, providing more jobs than oil, gas, timber, and tourism and employing 20,000 people statewide. As stated earlier, commercial fishing provides the major economic activity and form of cash resources for most of Alaska's coastal and Alaska Native communities. Over 120 coastal communities (more than a third of them) stake their livelihood on the salmon industry and have done so for decades, if not for centuries. These communities have traditionally relied on commercial fishing for their sole source of employment and source of cash.

However, the health of the commercial salmon industry is not strong. Fewer people who hold permits are fishing because of the historically low prices they are being paid for their fish. Processors are closing operations throughout the state. Twelve years ago, the Alaska wild salmon industry generated almost $1 billion in direct payment to fishers. In 1999, payments to fishermen dropped by nearly two-thirds to $383 million. In 2000, this figure dropped again to $275 million.

For the past three years, the Alaska salmon industry has encountered significant difficulties moving product into the domestic market. Because Chilean aquaculture operations have been producing at overcapacity, the geometrically increasing volume of Chilean farmed salmon imports into the U.S. market has driven the price of salmon to record lows.

In 1994, the annual import number of dressed, head-on Atlantic salmon fillet exports from Chile to the U.S. stood at 12,889 metric tons (MT). In 2000, the Chilean salmon fillet imports grew by 50% in that year alone, and in the first quarter of 2001, imports of dressed/head on fillets grew by another 50% over first quarter of 2000. As import increases have added overwhelmingly to supply, the price commanded by Chilean

imports has dropped significantly. According to the Urner-Barry *Seafood Price-Current*, on May 22, 2001, the FOB Seattle price for a whole, farmed Atlantic salmon (which Chile produces and exports to the U.S. in far greater quantities than any other foreign or domestic producer) dropped to $1.20/lb., the lowest price ever. A year earlier, with fewer Chilean imports in the U.S. market, salmon fillets sold at $3.75 per pound FOB Seattle.

Chile also imports its largest volume of fresh salmon filets to the U.S. just when fresh Alaska salmon is hitting the market. The supply of fresh Chilean salmon imports to the U.S. is strongest in the third and fourth quarters of the year which is also the heart of the Alaska salmon season because of the timing of the wild salmon runs. Thus, fresh Alaska salmon is available to access U.S. markets just when Chilean fresh salmon supplies are peaking. As a result, the overall volume of fresh salmon in the U.S. market from both sources is the greatest at the same time, further depressing prices both for Alaska and Chilean fresh product.

As a result of the low prices, Alaska producers can no longer viably participate in the industry. With the Japanese market for Alaska salmon pre-empted by cheap Chilean imports, Alaska fishermen and processors have been seeking new U.S. markets for their fresh fish. However, the huge increase of Chilean farmed salmon into the U.S. market, along with the resulting plummet in prices, are closing out that opportunity.

Alaska salmon is committed to compete with Chilean and other sources of salmon supply to the U.S. marketplace. However, this becomes highly problematic when increasing volumes of Chilean imports depress prices, yet Alaskan costs of production remain far higher than those experienced by Chilean salmon farmers and processors

Timber Industry

Forest products have been an important contributor to the economy of Alaska for over half a century. The export segment of Alaska's forest products industry is characterized by its supply of high-quality softwood, including Sitka spruce, western hemlock, western red cedar, and Alaska (yellow) cedar, all highly valued in export markets. Sitka spruce and western hemlock of very high quality have been exported as logs, lumber and timber into the Pacific Rim for the past forty years. The lower quality portion of the timber has been used to produce dissolving pulp, which is sold worldwide for producing rayon, pharmaceuticals, and fine quality paper products.

Alaska firms have focused on exporting primary wood products (wood chips and logs), deriving over $660 million in revenue in 1993, the industry's peak, to Japan, Korea, Canada, and other countries. However, by 1998, export revenue had dropped below $200 million. This sharp decline was due to the Asian economic crisis, declining international timber prices, lower cost competitors, other factors.

China was the only Asian economy to increase its total imports of wood products following the 1997 Asian recession. The country's annual timber shortage is projected to grow from a current level of 40 million cubic meters to 90 million cubic meters between 2000 and 2010, as a recently announced logging ban takes effect. Softwood log imports into China, over the past two years, have greatly exceeded temperate and tropical hardwood imports from Southeast Asia. These softwood logs are generally used in applications such as plywood, particleboard, and frames for shipment of glass and other delicate materials. Alaska producers have also been successful in providing their softwood logs for China's pallet manufacturing sector.

The proven growth of the China timber market provides major opportunities for Alaska exporters. Alaska log exports to China were $.890 million in 1998, which then grew by 138% to $2.582 million in 2000. Export growth to China skyrocketed through July 2001 to a record level of $6.063 million. This was the largest percentage growth for any of Alaska's wood products export markets for that period. According to an Alaska Native corporation log exporter, even when the Japanese market for Alaska logs was relatively high, a single cargo of logs to China grossed an additional $500,000 above what the logs would have sold for in Japan. The exporter also noted that the vital nature of the economic benefits of this particular shipment to its owners, an Alaska Native Regional Corporation and its Alaska Native shareholders.

Ownership of commercial timberlands in Alaska provides a unique range of benefits as compared to the rest of the United States. There are five major sources of commercial timber in Alaska. Two of these sources are conventional public land entities: the federal government and the State of Alaska. The Alaska Mental Health Trust and the University of Alaska are two additional timberland owners, and the fifth source is lands owned by Alaska Native regional and village corporations.

The diverse ownership of Alaska timberlands results in the benefits of logs export sales in Alaska going well beyond the private corporate domain. Export sales foster economic development and community services for Alaska Native peoples residing in remote communities. Alaska state law also mandates that revenues from the sale of logs harvested on Alaska Mental Health Trust lands provide a stable source of funding for services benefiting Alaskans with mental illness, mental retardation and Alzheimer's disease or related dementia. Export logs sales in Alaska also support academic programs, research and the public services provided by the state's only public higher education university. This exceptional range of benefits further increases the critical importance of overcoming the sanitary and phytosanitary obstacle highlighted in the Market Access section below.

WTO Rules: Fisheries Subsidies

Fisheries Subsidies

A key element of the Doha Ministerial Declaration is that it charges Members to "clarify and improve WTO disciplines on fisheries subsidies, taking into account the importance of this sector to developing countries," (Paragraph 28) under both WTO Rules, and Trade and the Environment (Paragraph 31). In light of this mandate, as well as the work done by ASEAN and other entities on fisheries subsidies, Alaska recommends that the U.S. form a multilateral working group to study the question of fisheries subsidies in the WTO context. The agreed-upon concept of "actionable" subsidies (WTO Agreement on Subsidies and Countervailing Measures) should be reviewed and utilized to address those fishery subsidies which lead to overcapacity, environmental degradation and overfishing. Equally important is support for fishery management activities and capacity reduction expenditures which decrease overfishing and overcapacity, and increase sustainable management and harvesting. The State of Alaska can provide useful information and unique insight so seeks to work closely with the U.S. on this issue.

Foreign Subsidies Leading to Overcapacity and Detrimental Environmental Impacts

Explicit and implicit subsidies can take many forms. Low or no-cost capital investment can lead to overcapitalization of fish farming. Incomplete regulations, regulations that grandfather an extensive part of a fish farming industry and inadequate regulatory enforcement can allow practices that significantly harm the surrounding aquatic and terrestrial environments. In addition, because of overcapacity, seafood prices have become depressed on world markets. This situation threatens the Alaska seafood industry. The State of Alaska urges the U.S. to act, during the Doha Development Agenda discussions, to eliminate these harmful foreign subsidies, while protecting domestic regulations that protect the environment.

Chilean Fishery Subsidies

When regulatory requirements of one nation far exceed those of another, free trade is not obtained by simply eliminating tariffs or other trade barriers. The opposite is created: free trade is distorted and what results is an invisible and prohibited system of subsidization (SCM Agreement Article 3) where the nation with lower regulatory standards subsidizes their producers by not requiring them to meet what the United States views and has adopted as essential environmental and labor standards. Under such a circumstance, which well describes the competition between Alaska and Chile salmon, trade is not free - it is subsidized. These subsidies, in the State of Alaska's views, are actionable and Alaska fishers and processors are at government-enforced disadvantage. The Chilean example is exactly the reason why the Doha Declaration, at paragraphs 28 and 31, sought to examine the issue of fisheries subsidies.

As indicated above, the Alaska seafood production is highly regulated. Such is not the case in Chile and perhaps other fish farming nations, where the costs of environmental regulation, enforcement and other needed mechanisms are subsidized for seafood producers. The Chilean government has admitted that lax regulations amount to "invisible subsidization of its salmon aquaculture industry," (USTR's environmental review draft of the Chile-U.S. FTA). According to recent research by Chile's Fundacion Terram, the fast growth of the salmon industry in Chile is based on the lack of internalization of environmental and other pertinent costs. In turn, there are significant environmental impacts caused by the rapid development of unregulated Chile fish farms.

The Chilean government has not required its aquaculture industry to address the same environmental impacts as are occurring in other fish farming nations, and to internalize the costs of doing so. The government has grandfathered in a large percentage of the fish farms from enhanced environmental scrutiny, and by its own admission, does not have the enforcement capacity to oversee current regulations. Rather, the Chilean government is reported to be promulgating regulations that will speed up the growth rate of the aquaculture industry by shortening the license application process.

In this round of WTO multilateral negotiations, the U.S. position must address these implicit, prohibited subsidies of the Chilean fish farming industry, and level the playing field. Without a leveling of this playing field, the Chilean salmon industry will continue to provide salmon products using subsidies that degrade the environment in Chile and displace Alaska salmon producers from their own domestic market as well as third-nation markets.

Market Access: Tariffs and Value-Added Taxes

Seafood

Seafood is Alaska's largest export sector accounting for nearly half of Alaska exports. In 2001, $1.2 billion worth of seafood was exported, mainly to East Asia. This figure is an increase of 15% over the previous year, which indicates the potential of this important industry. On top of the $1.2 billion in direct seafood exports, it is estimated that approximate $160 million more of canned salmon with Alaska origins (16041120) is exported indirectly through Seattle. The United Kingdom is Alaska's largest overseas market for canned salmon (mainly sockeye).

Moreover, Alaska seafood exports provide valuable jobs in the state. The Alaska fishing industry is comprised of many small businesses, involving over 50,000 fishermen and 700 processors. It is the largest employer in the state, and almost all the jobs are export-related. Many of these jobs exist in small, isolated coastal communities that are dependent on seafood exports for their livelihood. Keeping Alaska seafood exports competitive keeps these communities alive.

Tariffs on seafood exports are a major concern for the Alaska seafood industry. In particular the generally higher tariffs placed on value-added seafood products such as salted salmon, processed roe, and some fillets act as a barrier to further processing in Alaska. High tariff rates are not the only market access barriers to Alaska products. Lower, "nuisance" tariffs are also an obstacle to Alaska exporters. Small tariff rates cause to huge costs because they are exacted on high volumes of traded goods. Elimination of both higher and "nuisance" tariffs would amount to significant earnings for Alaska exporters.

In particular, Alaska seafood faces high tariff barriers in Korea. Over the past few years, Korea has opened its market to seafood from Alaska, and as a result, Alaska seafood exports to Korea have soared in past years. Still, the volume of seafood exports would undoubtedly increase significantly if tariffs were reduced during this round of negotiations. Many of the items being sent to Korea are lower value products, such as Atka mackerel (03037400), yellowfin sole (03033930), and pollock (03037300). Since these items are often considered low priced seafood protein in Korea, tariffs ranging from 10% to 20% have the effect of making these products too expensive for many Korea consumers with smaller incomes. Korea's high tariff policy on lower value products flies in the face of the Doha Declaration's goal to alleviate poverty (Paragraph 2).

China is another price sensitive market for Alaska seafood exports, and many of the same tariff problems apply here as in Korea. Value-added taxes compound price sensitivity for Alaska products in China. Value-added and other associated taxes of as high as 13% to 17% are levied on many imports. These taxes are levied in a discriminatory fashion. Importers sometimes absorb the taxes and then receive government loans as compensation for their losses. When combined with already high import tariffs, the tax burden on Alaska seafood can be as high as 42% in China. The U.S. should work to lower these taxes, thereby increasing the competitiveness of Alaska exports.

Of all major Alaska seafood export categories, the U.S. levies tariffs against only one category of foreign seafood when it is imported into the U.S.: there is a tariff of 1.1 cents per kilogram on flat fish (03033900). All other products enter the U.S. market without tariffs. This situation means that Alaska's foreign competitors are granted free access to the U.S. domestic market while Alaska seafood must face stiff tariffs abroad.

Pacific Salmon with bones, frozen 030310

Alaska Pacific salmon faces significant tariffs in its largest export markets. The comparative levels of tariffs on fresh salmon, frozen salmon's main competitor are as important as the direct tariffs levied on frozen salmon. In this product's two largest markets, Japan and China, tariffs on fresh products currently undercut tariffs on Alaska frozen products. As a result, the flood of lower-tariffed and -priced fresh salmon shuts out frozen Alaska salmon from the Japan and China markets.

	Tariff on Frozen Alaska salmon products	Tariff on others' Fresh salmon products
Japan	5%	3.5%
China	20%	10%

Alaska asks the U.S. to adopt a priority of quick frozen seafood tariff reduction to create a level playing field between fresh and frozen fish products. Such equality would make world seafood markets fairer and increase market access for Alaska and other U.S. frozen salmon.

Fish, dried, salted or in brine 03054100

Tariffs hinder value-added exports such as salted salmon exports to Japan. Frozen headed and gutted salmon (see discussion of 030310 above) exported to Japan is subject to a tariff of 5%. A large percentage of that Alaska salmon is eventually processed into salted salmon in Japan. If the salmon could be salted in Alaska, it would result in more jobs, and a tremendous saving in freight costs since the salted salmon has less moisture so the shipping weight is less per fish sent to Japan. Unfortunately, a 15% tariff is assessed on salted salmon exports to Japan, making salting in Alaska uneconomical. The U.S. should pursue lower tariff rates for salted salmon than for frozen salmon. A lowered rate would make salting economically viable in Alaska, create jobs and small business opportunities, strengthen the state's rural economies, and increase value-added exports.

Salmon Roe 0305204020 and Herring Roe 0305204040

While the high Japanese tariffs on roe products such as salted salmon roe and herring roe (pollock roe (0304901003) tariff is 0%) do not have the effect of stopping production, the typical 10% tariff is a large "cost" associated with the product. The tariff leads to lower prices paid to processors and, therefore, to the fisherman. As an example, in 2001, Alaska exported nearly $30 million of roe products that were subject to tariffs of 10%. Most of the roe was prepared and inspected by Japanese specialists brought to Alaska by the seafood processors (a number of which are Japanese-owned). An elimination of these tariffs would lead to more competitive exports, and, ultimately, higher incomes for Alaska processors and fishermen.

Shellfish 0307

Another examples of tariffs that are high enough to impede trade is the 7% tariff on shellfish products exported to Japan. While the shellfish export industry in Alaska is still in its infancy, the margins are such that a 7% tariff means the difference between whether shellfish from Alaska can be exported viably or not. Future products that could also be impacted include oysters (03071000), geoduck clams (0307901150), horse clams (0307901170), and sea urchin (0307910029). The importance of these new developing fisheries must not be overlooked. The participants in these fisheries are often Alaska-

owned small businesses. A reduction in Japan shellfish tariffs will give the Alaska industry the boost it needs to become competitive. New shellfish fisheries have been established in the southeast and southcentral Alaska communities of Sitka, Petersburg, Seldovia, Craig, Coffman Cove and out in the Aleutian Islands. These fisheries provide employment in remote areas hard-hit by timber industry and fish processing plant closures which have few economic options.

Frozen Fish 0303 and 0304

Alaska's most important exports are frozen. In international markets, Alaska's main competitors in the seafood industry produce fresh seafood. While these two forms of fish are not identical, they are competitors. To ensure a level playing field for fresh and frozen seafood, Alaska asks the U.S., during the Doha negotiations, to pursue equivalent tariffs for fresh and frozen seafood. Unfortunately, current tariffs for frozen fish imports in East Asia and elsewhere are largely higher than tariff rates for fresh fish. This situation puts Alaska seafood at a disadvantage to competitors' fresh fish.

Approaches to the Negotiations

As described above, Alaska rural communities especially rely on the commercial seafood export industry for a source of cash income and as part of their culture. However, the industry is extremely vulnerable due to intense competition in domestic and international markets. Putting the greatest priority and speed into reduction of these tariff lines will produce major economic benefit to Alaska's Native fishers living in those small and geographically isolated communities where there are no alternative means of livelihood. This is a goal of paragraph 35 of the Doha Declaration, which states that trade of small economies is to be examined, especially, in terms of their needs for economic development.

Alaska urges that tariff lines at nuisance value levels of 10% and less be eliminated by the conclusion of the negotiations, or not later than 1 January 2005. This reduction will provide Alaska fishermen and processors renewed access into the Japan market, will strengthen access into the markets of the European Union, and will reduce barriers for the salmon and herring roe, shellfish, and salted salmon industries. Also at the conclusion of the negotiations, all remaining tariff lines affecting frozen seafood should be reduced to be equal to that of fresh seafood. This will bring fairness to the tariff equation by allowing the Alaska seafood industry to access all of its most important markets at the same tariff and cost level experienced by fresh product suppliers. To continue the momentum of increased access, 80% of all remaining tariff lines on the Tariff Charts within the fisheries sector should be eliminated by 2008, with the remaining 20% eliminated by 2010.

TARIFF CHARTS

The following frozen fish tariffs are of particular concern as they burden major Alaska exports in their most important markets. Elimination of these tariffs would greatly improve market access for Alaska and other U.S. seafood exports:

Harmon Code	Product	Export Market	Tariff
030310	Pacific salmon, with bones, frozen	Japan	5%
030310	Pacific salmon, with bones, frozen	China	20%
030310	Pacific salmon, with bones, frozen	EU	2%
030310	Pacific salmon, with bones, frozen	Korea	10%
030339	Flat fish except fillets, livers and roes	Japan	5%
030339	Flat fish except fillets, livers and roes	China	20%
030339	Flat fish except fillets, livers and roes	Korea	10%
030360	Cod except fillets, livers and roes	Japan	10%
030360	Cod except fillets, livers and roes	Korea	10%
030360	Cod except fillets, livers and roes	China	20%
030360	Cod except fillets, livers and roes	EU	12%
030373	Atlantic pollock except fillets, livers and roe	EU	8%
030373	Atlantic pollock except fillets, livers and roe	China	20%
030373	Atlantic pollock except fillets, livers and roe	Korea	10%
030373	Atlantic pollock except fillets, livers and roe	Taiwan	20%
030379	Fish with bones, frozen	Korea	10%
030379	Fish with bones, frozen	China	20%
030379	Fish with bones, frozen	EU	8%
030380	Fish livers and roes, frozen	Japan	5-10%
030380	Fish livers and roes, frozen	Korea	10%
030380	Fish livers and roes, frozen	China	15%
030420	Fish filets, frozen	Korea	20%
030420	Fish filets, frozen	Japan	5-10%
030420	Fish filets, frozen	EU	2-18%
030420	Fish filets, frozen	China	30%
030490	Fish meat excluding fish steaks and filets, frozen	Korea	10%
030490	Fish meat excluding fish steaks and filets, frozen	EU	7.5-15%
030490	Fish meat excluding fish steaks and filets, frozen	Taiwan	17.5-50%
030490	Fish meat excluding fish steaks and filets, frozen	China	30%
030520	Fish livers and roes, dried, smoked, salted or in brine	Japan	4-15%
030520	Fish livers and roes, dried, smoked, salted or in brine	Taiwan	17.5-40%
030520	Fish livers and roes, dried, smoked, salted or in brine	China	25%
030614	Crabs, including in shell, frozen	Japan	6%
030614	Crabs, including in shell, frozen	China	30%
230120	Flour meal and pellet of fish, crustaceans	China	3-5%
160411	Salmon, canned	EU	5.5%

Here, tariffs are arranged by export market:

Export Market	Product	Harmon Code	Tariff
China	Pacific salmon, with bones, frozen	030310	20%
China	Flat fish except fillets, livers and roes	030339	20%
China	Cod except fillets, livers and roes	030360	20%
China	Atlantic pollock except fillets, livers and roe	030373	20%
China	Fish with bones, frozen	030379	20%
China	Fish livers and roes, frozen	030380	15%
China	Fish filets, frozen	030420	30%
China	Fish meat excluding fish steaks and filets, frozen	030490	30%
China	Fish livers and roes, dried, smoked, salted or in brine	030520	25%
China	Crabs, including in shell, frozen	030614	30%
China	Flour meal and pellet of fish, crustaceans	230120	3-5%
EU	Pacific salmon, with bones, frozen	030310	2%
EU	Cod except fillets, livers and roes	030360	12%
EU	Atlantic pollock except fillets, livers and roe	030373	8%
EU	Fish with bones, frozen	030379	8%
EU	Fish filets, frozen	030420	2-18%
EU	Fish meat excluding fish steaks and filets, frozen	030490	7.5-15%
EU	Salmon, canned	160411	5.5%
Japan	Pacific salmon, with bones, frozen	030310	5%
Japan	Flat fish except fillets, livers and roes	030339	5%
Japan	Cod except fillets, livers and roes	030360	10%
Japan	Fish livers and roes, frozen	030380	5-10%
Japan	Fish filets, frozen	030420	5-10%
Japan	Fish livers and roes, dried, smoked, salted or in brine	030520	4-15%
Japan	Crabs, including in shell, frozen	030614	6%
Korea	Pacific salmon, with bones, frozen	030310	10%
Korea	Flat fish except fillets, livers and roes	030339	10%
Korea	Cod except fillets, livers and roes	030360	10%
Korea	Atlantic pollock except fillets, livers and roe	030373	10%
Korea	Fish with bones, frozen	030379	10%
Korea	Fish livers and roes, frozen	030380	10%
Korea	Fish filets, frozen	030420	20%
Korea	Fish meat excluding fish steaks and filets, frozen	030490	10%
Taiwan	Atlantic pollock except fillets, livers and roe	030373	20%
Taiwan	Fish meat excluding fish steaks and filets, frozen	030490	17.5-50%
Taiwan	Fish livers and roes, dried, smoked, salted or in brine	030520	17.5-40%

Market Access: Sanitary-Phytosanitary Barriers

Wood Products

Log exports (44032000) to China

On June 28, 2001, in a document entitled "National Quality Inspection Document [2001] #43", China announced its new fumigation requirements for importing raw logs. Up until that time, China's forest pest concerns had been adequately addressed simply by securing a Phytosanitary Certificate through the State of Alaska Department of Natural Resources' Division of Agriculture. On July 1, 2001, the People's Republic of China implemented Document [2001] #43 which required log fumigation at the supply location (i.e. in Alaska), prior to export to China. Because of environmental concerns and Alaska's forbidding weather, remote terrain, and infrastructure limitations, this requirement has been utterly impossible to meet. In addition, the pest of specific concern to China, the pinewood nematode (PWN), has not been found in the state. Since China's adoption of the new rules, effectively no logs from Alaska have been accepted into the China market. One Alaska log exporter estimates this change is causing lost revenues of $200,000 per month. Another estimates the problem has resulted in $400,00 of lost revenue thus far. The change also has the potential to eliminate 20% of Alaska log exports and has already precipitated job losses and business withdrawals from the State.

China is a party to the International Agreement on the Application of Sanitary and Phytosanitary (SPS) Measures. This Agreement requires that China adapt the application of its SPS measures to the pest-free or other SPS characteristics of an area (in this case, Alaska) in which the log product originates [See "Adaptation to Regional Conditions, Including Pest- or Disease-Free Areas and Areas of Low Pest or Disease Prevalence", Article 6, Paragraphs 1-3). Article 5, Paragraph 5, also states that "each Member shall avoid arbitrary or unjustifiable distinctions in the levels it considers to be appropriate in different situations, if such distinctions result in discrimination or a disguised restriction on international trade." Paragraph 6 of the same Article (5) states that "when establishing or maintaining sanitary or phytosanitary measures to achieve the appropriate level of sanitary or phytosanitary protection, Members shall ensure that such measures are not more trade-restrictive than required to achieve their appropriate level of sanitary or phytosanitary protection, taking into account technical and economic feasibility."

Alaska and federal officials have repeatedly requested of China that it grant pest-free designation to Alaska or that it give Alaska log exporters permission to fumigate the logs at the arrival port of entry in China. Softwood logs selected for export from Alaska are generally put directly into rafts in nearby saltwater and towed to vessels for loading at various remote locations along the coast. Other alternatives, such as the debarking of logs, are impractical since customers in China do not accept them.

It is the State's understanding that logs from Russia have approval to be fumigated at the arrival port of entry in China. Chinese officials, including China's Consul General in San Francisco, have not responded to Alaska or federal requests for the pest-free designation or permission to fumigate at the arrival port.

Alaska log exporters have been working closely with the State of Alaska Governor's Office and Department of Natural Resources, as well as U.S. Department of Agriculture (USDA) and Animal Plant Health Inspection Service (APHIS) to resolve this problem through the upcoming 2002 U.S. /China Bilateral in Chengdu, China. These discussions will be held on May 13-16, 2002, and Alaska's softwood log issue is one of twelve items on the agenda.

Alaska looks forward to continuing to develop its mutually beneficial trade relationship with China in the timber sector. This is a very important relationship both to the United States and to Alaska. Alaska and China share a mutual location in the Pacific Rim and have unique opportunities to build on their already strong trade relationship. The Alaska supply of softwood logs to China will help to meet the country's growing housing needs as well as add to the re-export potential of value-added products from China. While this dispute continues, Alaska exporters are shut out of the market, and entire logging operations have been forced to close. The complete collapse of the industry would be a tremendous blow to Alaska, which has relied on logging as a major industry for generations. As Alaska exporters sit on the sidelines, Russia and New Zealand exporters have taken their place. In the last three years, Russia log exports to China have increased nearly six-fold from 1,592 cubic meters in 1998 to 7,358 cubic meters in 2001. Every day that Alaska logs are kept out of the China market will make it harder for Alaska exporters to regain the market share they are rapidly losing.

Alaska log exporters, Alaska log suppliers, and the State of Alaska ask the U.S. to address the critical phytosanitary certification problem of softwood logs as quickly as possible. The future of the Alaska log export industry, along with funding for Alaska mental health and higher educational programs, depend on reaching a solution soon.

Market Access: Non-Tariff Measures (NTMs)

Alaska also seeks to recommend other market access changes. Use of varying laws and structures regulating the organic certification of wild seafood by WTO Members has resulted in this certification becoming a Non-Tariff Measure (NTM). (See following section, Committee on Trade and the Environment: Labeling). Another NTM problem is occurring in China and Korea, where Alaska seafood exporters have found it difficult to access domestic distribution systems and, in some cases, have not been paid for their product. As a result, many Alaska businesses that have exported product have been "burned" and are reluctant to reenter either market. The State of Alaska will provide, under separate cover, more detailed information on these problems and clarification as to whether they are caused by NTMs, are trade facilitation issues or a combination.

Committee on Trade and the Environment: Labeling

Labeling of products for environmental purposes is important to the consumer and equally important to the producer. A number of factors distinguish Alaska seafood from its competitors. Alaska seafood comes from a pristine and closely monitored environment. The harvest of Alaska seafood is environmentally sustainable, as required by Alaska's state constitution. The catch that comes from Alaska's seas is as wild and clean as the waters in which it lives. This quality is in contrast to that of much of foreign farmed fish that are raised in unsustainable pens with inadequate environmental monitoring and require a large infusion of antibiotics. Farmed fish raised outside of the U.S. have increasingly contracted Infectious Salmon Anemia and other diseases which are devastating fish farming operations in Canada, Norway, Scotland and elsewhere, causing a number of countries to place a moratorium on further fish farming developments.

U.S. and world consumers want information about the products that they buy, and seafood is no exception. There is growing demand for labeling measures to adequately show where and how particular seafood products are produced so that the consumer to make the most informed choice possible. The State has stepped up to this demand. The state and its seafood producers have obtained the necessary certifications and seek additional labeling opportunities that make clear to consumers that Alaska seafood is of high quality and is harvested in a sustainable manner.

Labeling is an important issue in European markets where recent health scares, such as mad cow disease (BSE), have created a strong desire for organic and wild-grown food products. Labeling in Europe now requires seafood be identified as wild or farmed and labeled as to its region of origin. The European Union uses the FAO ocean regions so that Alaska seafood is labeled as "Product of the North Pacific". These labels inform European consumers that Alaska seafood is free of contamination, antibiotics, and genetic modification, all of which increases the products' marketability and desirability.

U.S. House and Senate conferees recently came to agreement on a conference version of the six-year Farm Bill (HR 2646). It includes a provision requiring country-of-origin labeling, within two years of bill enactment, of imported fish, meat, fruit, vegetables and peanuts. The conferenced bill must still be reviewed and passed by the House and Senate, as well as signed by the President, before it becomes law.

Sustainable Fisheries Label

An important labeling initiative that the Committee on Trade and the Environment (CTE) should ensure the continued use of is the Marine Stewardship Council Sustainable Fisheries label. The Marine Stewardship Council (MSC) is a London-based organization created to bring together stakeholders to find a solution to the problem of depleted fish

stocks. First established by the World Wildlife Fund and Unilever, one of the world's largest buyers of frozen fish, the MSC is now an independent organization.

The MSC has developed an internationally-recognized performance standard through a set of "Principles and Criteria for Sustainable Fishing." Fisheries around the world can apply to be evaluated against this standard. An independent certification team accredited by the MSC conducts the assessment.

The MSC indicated interest in reviewing Alaska's salmon harvest and processing industry, the world's largest, because the state is mandated by its constitution and by federal laws to manage its fisheries in a sustainable manner. The Alaska Departments of Fish and Game (ADF&G) and Community and Economic Development (DCED) began work on the MSC certification in 1996. An evaluation of ADF&G's commercial salmon management program was conducted in 2000 by an independent certification firm, as required by the MSC. With the evaluation and certification complete, 17 salmon processors and retailers have successfully applied to the MSC for "chain of custody" certification and subsequent authorization to market Alaska salmon using the MSC Sustainable Fisheries label.

When the Alaska fishery management system was first certified by the MSC as maintaining sustainability standards, Alaska seafood processors were already planning to apply to use the eco-label on their products from the certified fishery. "We're looking forward to marketing MSC labeled products very soon," said Terry Gardiner, President of NorQuest Seafoods, in December 2000. "This certification is an important boost for Alaska salmon products in the world marketplace."

The popularity of eco-labels is increasing in response to a growing base of consumers who wish to make environmentally responsible purchasing decisions. As with other eco-label programs, the MSC seeks to provide incentives in the marketplace that will lead to better fishing practices worldwide. Alaska officials agree this can be of equal benefit to Alaska's salmon industry and to consumers.

The Sustainable Fisheries Label now appears on these 17 processors' fresh and canned Alaska salmon products worldwide to inform customers that the salmon they are buying comes from a wild, sustainable fishery. Other fisheries having earned the MSC label are the Australian rock lobster fishery and the Thames River herring fishery. The MSC eco-labeling program provides a strong incentive to reduce subsidies and other trade-related practices leading to overproduction and overcapacity by giving local producers a new and growing market niche for their product.

Organic Labeling

The organic label is the second eco-label of note to the CTE and of critical importance to the Alaska seafood industry. In the United States, standards for federal organic certification are authorized and enumerated in the 1990 Organic Food Production Act.

Under the Act, Alaska seafood is eligible for certification of organic status based on harvest sustainability as well as on production and handling procedures. This eco-label is equally important to American consumers because it informs them that the Alaska seafood they buy is harvested from pristine waters and is not raised using pesticides or synthetic chemicals. Moreover, the organic label is vital for Alaska seafood producers as it provides Alaska seafood access to the lucrative $6 billion-a-year organic market which is growing at a rate of 20% per year.

However, there is a clear need for the CTE to clarify the labeling use of the term, "organic", by WTO members. The standards governing what can be labeled as organic vary markedly by country. In the U.S., the advisory National Organic Standards Board (NOSB) and the U.S. Department of Agriculture have prevented wild and farmed seafood from being able to be federally certified as "organic". This is despite the State of Alaska, Native Alaskan fishermen, the Pacific Seafood Processors' Association, the National Fisheries Institute, and others offering a mountain of evidence showing that wild and farmed seafood harvesting and production meet statutory requirements. This is also despite the certification of two Alaska seafood processors by private certifiers who are well-recognized by the U.S. organic trade industry. As a result of NOSB and USDA actions, all other forms of protein (beef, poultry, cheese) and fruits and vegetables can apply to be federally-certified and marketed as organic. Only seafood cannot.

It is Alaska's understanding that farmed seafood from Chile and other nations have gained organic certification under ISO standards and can market their ISO-certified product as organic. This is despite the fact that Chilean salmon farmers use an elevated level of antibiotics to overcome the effects of high-density rearing in pen confinement, allow escapement of farmed salmon into nearby fresh and saltwater, and have been found to cause nearby freshwater lake pollution. Why will Chilean and other foreign sources of organic salmon be allowed to take the place of U.S. organic salmon in the fast-growing U.S. organic market of Fresh Fields and Whole Foods stores?

Clearly, there is a definite need for the CTE to clarify and harmonize international organic labeling requirements. The use of the term "organic" must be based on sound science, not subjective determination. It also must not be used as a mechanism to support trade distorting practices nor to support or maintain market hegemony by just one supplier. The differing national standards have become a non-tariff measure adversely affecting market access by creating an uneven playing field among WTO Members.

Misleading and Inaccurate Labeling

Chilean salmon imported into the U.S. is often labeled as Atlantic salmon. These farmed salmon are hatched from eggs of the Atlantic salmon species. However, the waters to which these farmed fish are exposed are from the Pacific Ocean. The State believes that this labeling is a misleading and, possibly, inaccurate use of labeling under U.S. Federal Trade Commission and Federal Drug Administration laws. Alaska urges the Committee

on Trade and the Environment to clarify the rules which are relevant in the WTO context regarding this aspect of labeling, and offers the State's assistance in this work.

It is important to continue the use of labeling for environmental purposes both to ensure that labels continue to give consumers the correct information they need to make knowledgeable purchases and to ensure that producers can access market niches.

Capacity Building Measures

There are a number of capacity building programs in Alaska that are excellent models for use in WTO developing and least-developed countries. In the seafood industry, capacity building measures have increased the productivity of Alaska fisheries while ensuring that the environment and future of remote Native Alaska communities are protected. Alaska also conducts a number of capacity building programs in the Russian Far East. These programs are designed to help the Russian Far East strengthen its rule of law, reach its economic potential and become a more stable trading partner.

Fisheries Harvest and Capacity Management

Harvest Management

The State of Alaska and the United States, through rigorous science and fisheries management efforts, establish guideline harvests and/or quotas for all commercially harvested fish in waters offshore and within Alaska's three-mile limit. This effort is critical to the long-term survival of the commercial fishery and is essential to controlling and managing commercial harvests. Similarly, inputs for the aquaculture industry require significant amounts of wild fish feed. Development of commercially viable and environmentally sustainable harvesting activities is a goal throughout the WTO membership. The State offers to work with WTO members to share its expertise, as it is already doing with Saami and other indigenous representatives to the eight-nation Arctic Council.

Protection against Overfishing

In specific circumstances, Alaska and the U.S. federal government have limited the number or size of commercial harvesting vessels operating in certain fisheries to protect against overfishing. Similar programs could be expanded to developing countries to help prevent overfishing and keep commodity prices stable. The same rationale may be applied to fish farm development, which, in 2001, increased salmon production past the pace of demand, causing significant downward pressure on price. While imports from Chile to the world increased 53% in the first quarter of 2001 over the same quarter a year earlier, the value increased by only 3%.

Ocean Governance

Alaska Governor Tony Knowles serves on the Pew Oceans Commission, an independent group of American leaders conducting a national dialogue on the policies needed to restore and protect living marine resources in U.S. waters. Governor Knowles is also Chair of the Commission's Governance Committee.

After reviewing the best scientific information available, the Commission will make its formal recommendations in a report to Congress and the U.S. later this year. Problems to be studied by the Commission include pollution, coastal development, climate change, and the impacts of fishing on the marine environment including the effects of overfishing, bycatch and habitat damage.

The Commission's Governance Committee is charged with identifying and discussing specific strategies to maintain the integrity and function of ocean and coastal ecosystems while providing for the sustainable use of ocean resources for the benefit of present and future generations. At a January 2002 meeting, the Governance Committee examined:

1. The appropriate structure and authority for a comprehensive National Oceans Policy Act governing use of Exclusive Economic Zone (EEZ) resources;
2. How best to enable ecosystem-based management by improving regional ocean governance involving federal, state and local entities as well as meaningful public involvement and the integration of sound science; and
3. The appropriate structure and authority for federal ocean programs.

Governor Knowles has also consulted with experts from Australia and New Zealand to share information and obtain technical assistance provided by their countries' experience in the ocean governance arena.

The Pew Oceans Commission, together with the Commission's Governance Committee, provides a very useful and effective model. It illustrates how WTO nations could work together on an international basis between states and involve scientists, regional entities, non-governmental organizations, and interested citizens to address fisheries subsidies and their causation of overproduction and environmentally unsustainable fish harvest and production practices. Nations could also work together, using this modality together with the concept of ocean governance, to address fisheries subsidies and their impact on international waters, since it is in these waters where significant overfishing appears to be occurring.

Capacity Building Programs

Community-based Capacity Building

Alaska has developed a community based fisheries related program called the Community Development Quota (CDQ) Program. The CDQ Program allocates valuable

groundfish resources to small Native Alaska communities in western Alaska. These communities fish the quota directly or lease the quota to established fishing companies. Lease fees earned from the quotas are reinvested into helping residents purchase fishing boats, establishing icing operations to enhance harvest quality and marketability, supporting scholarships for youth to obtain education in fisheries management, offering vocational education to diversify the economy or for needed community infrastructure. Among many other benefits, it places control of the fisheries into local hands. Local control of fisheries best protects the resource because power is given to those with proximity to it over the long-term.

The CDQ program has been uniquely successful as an engine to generate viable economic development in a sustainable manner. Expansion of programs like the CDQ Program to developing and least-developed countries would have a number of positive effects. Farm sites in developing countries are increasingly under sale to large, foreign multinational corporations with little incentive to use environmentally responsible and sustainable farming techniques. CDQ-like programs would give local coastal communities a larger in protecting the resources close to them, and would enhance the local benefits of trade.

Alaska – Russian Far East Cooperation

The American Russia Center (ARC) at the University of Alaska-Anchorage has conducted capacity building programs in the Russian Far East for the last nine years. ARC is affiliated with Russian universities in the Far East and receives funding from U.S. Agency for International Development, as a part of the Partnership for Freedom program, and from other federal agencies.

ARC's programs seek to infuse free-market values and regulatory structure into the post-command economy of the Russian Far East. ARC maintains nine small business development centers in the region. The largest of these centers are in Khabarovsk, Yuzhno-Sakhalinsk, and Magadan. The centers are a point of interaction between the business and academic communities of Russia and Alaska.

The centers in Russia offer two- to four- week courses in business topics such as market strategy, financing, contracts, accounting practices, international trade, business planning, and management. These free-market concepts are new to those seeking to take advantage of the economic opportunities in the region, and ARC centers are a way to facilitate their acceptance and use. ARC's goals are to train over 7,400 Russian entrepreneurs, assist in 1,300 small- and medium-enterprise start-ups and 6,299 existing business that will create 6,109 new jobs and sustain 125,980 existing jobs. ARC is well along its way in meeting these milestones.

Some classes are taught at the Anchorage campus of University of Alaska. There, Russian entrepreneurs are able to see the values and processes they are studying in practice in Alaska. The program trains 90 Russian entrepreneurs and business trainers per year. Other programs allow Russians to obtain joint degrees at University of Alaska.

ARC provides technical training for businessmen of the Russian Far East in areas including airport management, public administration, cold weather construction methods and materials, and the oil industry. Within the oil industry, technical assistance has related to well control, and oilfield and platform skills and safety. The U.S. Department of Labor is currently funding an ARC program that brings oil industry managers and workers to Alaska for training.

ARC also conducts the Community Connection Program through the Department of State's Bureau of Educational and Cultural Affairs. This program is an intensive internship program for Russian business professionals to aid development of civil society. The program focuses on such issues as health, education, and NGO activity and puts participants in close contact with Alaska government and business leaders.

Initiated by the Governors of the two regions and funded through USAID, the Alaska-Chukotka Project brings together the very northeasterly province of Chukotka with a number of active Alaska organizations. The endeavor comprises a set of sixteen projects in the areas of humanitarian programs, economic development, and civil society. This Project builds on the long-standing cultural and ethnic ties between the two regions, as well as a strong commitment to enhance the regions' economic growth and well-being of their residents.

The Alaska-Russian Far East cooperative activities are an important link between Russian and Alaska communities. Current programs already facilitate trade between Alaska and the Russian Far East. Expansion of these activities within the Russian Far East will allow further infusion of governmental transparency and practical training into the region. Moreover, similar programs could be instrumental in providing technical assistance throughout the WTO membership.